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February 17, 2005

The Honorable Michael K. Powell
Chairman
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

Re: Implementation of Section 304 of the Telecommunications Act of 1996;
Commercial Availability of Navigational Devices, CS Docket No. 97-80

Dear Chairman Powell:

The Hewlett-Packard Company (HP) files this letter in support of continuing to apply the July 1, 2006 prohibition date on the deployment of integrated set-top boxes (STBs) by cable operators. The Federal Communications Commission (Commission) previously extended this compliance date and any further extension would compromise the ability of technology companies, like HP, to continue to innovate with consumer products that enhance consumer choice in program navigation and promote competition in the navigation device market.

Section 629 of the Communications Act requires the Commission to adopt regulations that assure the competitive availability of navigation devices.[1] As the Commission recognizes, the purpose of Section 629 and implementing rules "is to expand opportunities to purchase this equipment from sources other than the service provider."[2] In 1998, the Commission concluded that "integrated equipment is likely to interfere with the statutory mandate of commercial availability and the

[1] 47 U.S.C. § 549. Section 629 passed as part of the Telecommunications Act of 1996. Pub. L. No. 104-104, 110 Stat 56 (1996).

[2] Implementation of Section 304 of the Telecommunications Act of 1996; Commercial Availability of Navigation Devices, *Report and Order*, 13 FCC Rcd 14775, ¶ 1 (1998). The Commission correctly determined in its 1998 *Report & Order* that "as navigation devices are the means to deliver analog and digital communications, competition in the navigation equipment market is central toward encouraging innovation in equipment and services, and toward bringing more choice to a broader range of consumers at better prices." *Id.* at ¶ 2.

offering of integrated boxes should be phased out."[3] The Commission found that a deadline of January 1, 2005 would give cable operators and other multi-channel video programmer distributors (MVPDs) a "sufficient period of time for a reasonable transition" away from integrated STBs.[4]

Observing that the "commercial market for navigation devices used in conjunction with the distribution of digital video programming remains in its infancy," in 2003 the Commission concluded that "in light of. . . the evolving nature of technical specifications relating to navigation devices, and the imminent business ordering and manufacturing cycles facing MVPDs and consumer electronics manufacturers in anticipation of the pending 2005 prohibition" the deadline on the prohibition of integrated devices should be extended to July 1, 2006.[5] The time has come to end consumers' exclusive reliance on STBs provided by their cable company. In fact, it is long overdue.[6] Nothing has happened since the Commission's 2003 decision to extend the deadline to justify further delay.

As digital television technologies continue to develop, consumers should have the widest possible range of choices in the market for navigation devices. The Commission must remain faithful to Section 629's mandate of assuring the competitive availability of navigation devices. Maintaining the July 1, 2006 integration ban is critical to achieving this goal. Without a firm deadline, parties that benefit from delay and uncertainty could ultimately undermine Congressional intent. The current compliance date is also critical to the further development of reliable and innovative functionalities and gives equipment manufacturers and cable operators the appropriate market incentives and appropriate timeframe to develop and deploy swiftly compatible products to the public. Such developments will ultimately ensure that consumers have access to better technologies and a wider variety of services at competitive prices. Without firm enforcement of the current compliance date, consumers will be at risk of losing these benefits.

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[3] *Id.* at ¶ 69.

[4] *Id.* The Commission committed to assess further the state of the market to determine whether that time frame was appropriate and to review the mechanics of the phase out of boxes that have combined security and non-security functions in 2000. Implementation of Section 304 of the Telecommunications Act of 1996: Commercial Availability of Navigation Devices, *Further Notice of Proposed Rulemaking and Declaratory Ruling*, 15 FCC Rcd 18199 (2000).

[5] Implementation of Section 304 of the Telecommunications Act of 1996; Commercial Availability of Navigation Devices, *Order and Further Notice of Proposed Rulemaking*, 18 FCC Rcd 7924, ¶¶ 2, 4 (2003).

[6] See David Pogue, *STATE OF THE ART; Streamlined Cable TV in a Card*, N.Y. TIMES, Dec. 30, 2004. In the attached article, Pogue accurately refers to the CableCard as "a bit of circuitry miniaturization that's about 15 years overdue."

HP is the world's largest consumer information technology company, generating 21,000 patents and 600 new products last year alone and placing fourth on the list of new U.S. patents in 2004. HP's digital entertainment technology spans from the creation, through the distribution, to the consumption of all forms of entertainment content. Since January of 2004, HP has publicly committed to offering a leading entertainment experience for consumers, while striving to support legitimate rights management systems. HP has since introduced entertainment products including televisions, projectors, entertainment hubs and music players. Foundational tenets to this innovation are open standards, digital rights management and connectivity between devices. This approach best serves the interest of consumers by providing choice and simplifying the operation of consumer digital equipment regardless of manufacturer. HP is actively engaged in a number of industry consortiums to encourage and advance this vision. An open-standards based environment is fundamental to providing a level playing field for innovation in this new and rapidly evolving entertainment space. All of these factors underscore the importance of maintaining the July 2006 deadline.

There has been ample time to prepare for compliance with the integration ban – the rule has been effective for 7 years and technology has continued to develop to permit compliance. HP has every confidence that the cable industry is capable of complying with the July 1, 2006 deadline in its entirety. We urge the Commission to maintain the July 1, 2006 deadline for cable operators' compliance with the Commission's navigation device security rules.

Sincerely,

Shane V. Robison
Executive Vice-President and Chief Strategy and Technology Officer
Hewlett-Packard Company

cc: Marlene H. Dortch, Secretary
Commissioner Kathleen Abernathy
Commissioner Kevin Martin
Commissioner Michael Copps
Commissioner Jonathan Adelstein
Jordan Goldstein
Stacy Robinson Fuller
Eric Bash

Daniel Gonzalez
Catherine Crutcher Bohigian
Kenneth Ferree
Deborah Klein
Rick Chessen
William Johnson
Steve Broeckaert
Mary Beth Murphy
Natalie Roisman
Alison Greenwald
John Wong
Thomas Horan

The New York Times **Technology**

STATE OF THE ART; Streamlined Cable TV In a Card

By DAVID POGUE
Published: December 30, 2004

WHAT if I told you about a new product that could improve your TV picture, eliminate one of your remote controls, simplify your home-theater setup and save you money every month?

And then what if I told you that your local distributor wished, in its heart of hearts, that nobody even knew about it?

The brilliant invention really exists. It's the CableCard, a small metal card (a so-called PC card, actually, like the ones designed for laptops) that slides into a slot on the back of many new high-definition TV sets from nearly every manufacturer. The CableCard's simple mission is to eliminate your cable box. The card stores all the account information that used to be monitored by the box, like descramblers for your movie channels -- a bit of circuitry miniaturization that's about 15 years overdue.

Life without a cable box is blissfully simple. The cable-TV cable from the wall plugs directly into the TV. You change channels using the TV's own remote control. (Both the box and its remote go back to the mother ship. Incidentally, getting rid of the box makes an especially big difference when it comes to smaller screens, like kitchen-counter TV's.)

Losing the box frees up one power outlet on your wall, one valuable input on the TV and one component's worth of space in your equipment rack or wall unit.

Furthermore, if you ever move, you won't have to learn how to use a new cable company's box. You'll operate the same TV using the same remote in the same way.

Eliminating a detour through the cable box also spares your video signal an analog-to-digital conversion or two. As a result, the picture may be noticeably clearer and sharper (depending on which box you had and how it was wired to your system).

On top of all these advantages, it costs a lot less to rent a CableCard than a cable box. For example, the monthly CableCard fee is $1.25 at Cablevision, $1.50 at Adelphia and $1.75 at Time Warner, as compared with $4 to $7 a month for a cable box. (Your cable programming package costs the same. This parenthetical remark is provided for the benefit of the customer who, according to a cable-industry spokesman, bought a CableCard TV last week because she thought it would provide her with free cable TV.)

Could all this be true? Is it really possible that the government, cable companies and TV makers all sat down one day and cheerfully agreed to a new, advanced standard designed to save you money and simplify your life?

Don't be silly.

As it turns out, hammering out the CableCard standard wasn't especially quick or amicable.

In fact, it took years. What everyone wanted was a technology that duplicated every feature of today's digital cable box. But the cable companies and the set makers first had to learn to work with and trust each other, and meanwhile an F.C.C. deadline was looming. So what emerged at the end of Round 1 was only a partial solution: a one-way CableCard.

In other words, today's CableCard can't send information back to the cable company from your television set, a loss that has several ramifications.

First, you no longer receive the cable company's onscreen TV guide. Of course, most CableCard TV sets (marketed as "Digital Cable Ready") have their own built-in channel guides, and so do hard-drive recorders like the TiVo.

Second, you lose the ability to order pay-per-view movies with your remote control. You have to order them using your cable company's Web site or by calling its toll-free number.

Third, today's CableCard can't handle video-on-demand services. (They're like pay-per-view movies, except that you can start a movie whenever you like, and even pause it while it plays.)

Now, you may not particularly care about losing these features. Plenty of people, perfectly content with sources like HBO, Blockbuster and Netflix, have never ordered a movie through the cable box and never will.

But there are people who care deeply about pay-per-view and video-on-demand services: the cable companies. They've spent years and millions of dollars cultivating these services, some of which satellite services can't match. To the cable companies, the one-way CableCard represents not only a huge new headache (involving billing, inventory, business development, customer service, installer training and so on), but also a potential kick in the spreadsheet.

So if you're interested in the CableCard at this early stage, you may have to take on a relentless "60 Minutes" persona. All cable companies offer the CableCard, but few promote it, and the front-line operators may not even know what you're talking about. Last week, for example, Cablevision mailed a brochure to its customers listing the price increases for 2005 and describing its latest services, with nary a word about the CableCard.

In fact, you may get the distinct impression that the cable companies are trying to talk you out of a CableCard. At a Web site for Time Warner Cable, a Frequently Asked Question about CableCard televisions (also called Digital Cable Ready sets) reads; "Q: Why should I get one? What are its advantages over a set-top box? A: A Digital Cable Ready television may not be for you. If you want to take advantage of Time Warner Cable's interactive services, such as iControl or our Interactive Program Guide, then you want the expanded features of a digital set-top box." (Um -- those are advantages?)

Eventually, all this caginess will evaporate, as soon as the industry settles on a standard for two-way CableCards. By most estimates, however, two-way CableCards are at least two years away. Meanwhile -- listen up, pay-per-view patrons -- the two-way CableCard won't work in today's CableCard-equipped TV sets.

Before kissing your cable box goodbye forever, there's one final consideration: TV-set compatibility. At this early stage, different TV makers have designed their CableCard slots with different degrees of gracefulness.

I learned this fact from the knowledgeable Cablevision installer who put CableCards into my two testing sets: Panasonic's gorgeous Viera TH-42PX25U/P, a 42-inch plasma, and Sharp's 45-inch Aquos LC-45GX6U. (You can't install a CableCard yourself. A cable-company technician must do the job, which includes programming the card to work only with your specific TV set in your specific location, all part of an elaborate registration process that makes these cards a lot more difficult to hack than either cable boxes or satellite security cards. The installation charge is usually around $40 or $50, although it's free from Time Warner.)

The Panasonic Viera worked flawlessly with the CableCard; using the TV's own sleek remote to change channels, rather than an ugly cable-box remote, feels infinitely more natural and obvious. (Changing channels takes about the same amount of time.) The cable guy reported similar good luck with Panasonic sets across its CableCard line (and recommended Sony's sets, too).

The Sharp Aquos wasn't quite as accommodating. For some goofy technical reason, the Sharp set treated analog and digital channels differently once the CableCard was installed. So if you have Cablevision (a company whose channels aren't yet all digital), for example, you have to switch video inputs on the remote whenever you want to view a channel higher than 84. Yuck.

If you use, or think you might someday use, video-on-demand and similar interactive features, don't invest in the CableCard until the two-way version arrives in 2006 or whenever.

But otherwise, if Santa brought you a Digital Cable Ready set -- meaning one with a CableCard slot -- becoming an early adopter of this promising technology means lower monthly fees, fewer wires and remotes, and maybe even a slightly sharper picture. Those are gifts of an especially rare sort: the kind that simplifies your technological life instead of complicating it.